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Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6



PIPER PETROLEUMS LTD.

1994 Annual Report



CORPORATE INFORMATION

MANAGEMENT AND OFFICERS

Dr. R.E. (Roy) Smith
President and Chief Executive Officer

Dennis B. Bleackley
Chief Financial Officer

R. Gregory Powers
Corporate Secretary

Donna Corrin
Assistant Secretary

DIRECTORS

Dr. R.E. (Roy) Smith
Calgary, Alberta

Donald R. Seaman*
Calgary, Alberta

Dennis B. Bleackley *
Calgary, Alberta

R. Timothy Swinton**
Calgary, Alberta

HEAD OFFICE

770 202 - 6 Avenue S.W.
Calgary, Alberta T2P 2R9

Telephone: (403) 262-2620
Facsimile: (403) 262-4003

STOCK EXCHANGE LISTING

Alberta Stock Exchange
(Trading Symbol: PIPA)

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company
Calgary, Alberta

BANKERS

Royal Bank of Canada
Oil & Gas Banking
Calgary, Alberta

EVALUATION ENGINEERS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

AUDITORS

Collins Barrow
Calgary, Alberta

SOLICITORS

Donahue Powers Pshebniski
Calgary, Alberta

* Audit Committee

** Not Standing for Re-election

ANNUAL MEETING

The Annual General Meeting of the Shareholders will be held in Viking Room A at the Calgary Petroleum Club, Calgary, Alberta on Thursday June 8, 1995 at 3:00 pm (local time).



REPORT TO THE SHAREHOLDERS

Review of 1994

The past year, which was the first full year under new management can best be described as one dominated by refocusing and planning. Management's efforts were directed to four main areas in order to arrive at a position best able to maximize existing resources.

Concentrating on increasing the Company's cash flow was and is of paramount importance. The Company is strategically focused on development drilling of gas and an increasing number of oil prospects. It is felt that a better balance of oil and gas income will help offset future price fluctuations. In the fourth quarter of 1994 the Company raised approximately \$630,000.00 through a private placement share issue. The funds were spent in the fourth quarter of 1994 and the first quarter of 1995 on prospects at Taber and Chedderville. The Company has interests in four gas wells in the Taber area, two of which have been tested. The Taber area is a lower risk, long term gas project with additional wells planned for the future. As previously announced, an oil well was drilled, completed, and put on stream at Chedderville in the fourth quarter of 1994. This well has been significant to the Company in terms of cash flow and is expected to generate well over \$100,000.00, net to the Company, in the first year of production. These oil and gas prospects are lower risk and are concentrated in our two core areas. Operating wells is very important in our philosophy and will continue to be so in the future as this provides a hands on approach and is vital to cost control.

The reduction of long term debt was a priority, given the fact that debt service costs increased as a result of the rise in interest rates. Over the course of the last year bank indebtedness has been reduced from \$640,374.00 as of December 31, 1993, to \$122,000.00 as of December 31, 1994. As of April 30, 1995, only \$72,000.00 is outstanding.

All overhead costs were reviewed with a view to implementing manageable cost reductions. At year end there were four full-time staff on the payroll. As of April 30, 1995, there were two full-time and one part-time staff members. Consultants are hired as required. Surplus office space has been sub-leased as an additional cost saving measure.

In addition, the Company sold its interest in seven older producing gas wells at Taber in the fourth quarter of 1994. The proceeds from this sale were used to reduce bank debt and enhance our drilling program.

Certain aspects of the records concerning the Company's past transactions were in need of a detailed review in order to verify and preserve the Company's interests in lands and royalties for accounting, banking, and legal purposes. Land, engineering and legal consultants were hired to accomplish this and as of this writing the work is nearly complete. Related fees are reflected in the abnormally high general and administration costs for the year and are not expected to continue. In addition, the Company completed its public offering in 1994 which added to these costs. No general and administrative costs have been capitalized in the financial statements. Management believes that in order to achieve and maintain a prosperous, well run Company, its affairs must be on a solid foundation.

The accompanying financial statements reflect a write-down to the assets of \$1,015,000.00 based on the application of the full cost ceiling test, which utilizes proved reserves only in its calculation. This write-down was primarily due to lower gas prices. McDaniel & Associates Consultants Ltd., the Company's independent engineer, estimated the present value of the proved and probable reserves using escalating costs and prices and discounted at 15% to be \$2,181,228.00.



FOCUS ON THE COMING YEAR

The Company is optimistic that oil and gas prices will remain static in the near term with an increase in gas prices later this year.

With this in mind, improving shareholder value will be of the utmost importance. One of the two previous gas wells in the Taber area drilled in 1994 will be tied-in during the second quarter of 1995. Two additional gas wells in this area have been drilled and cased in the first quarter of 1995. Plans are under way to complete and tie-in these three remaining gas wells in the fall. A further well at Chedderville was drilled and cased in the second quarter of 1995; completion will begin in the near future. The Company has further drillable locations on existing acreage.

During 1995, efforts will be concentrated on acquiring land and drilling wells on

our two core areas, Taber (gas) and Chedderville (oil) (See Figure 1). As the Chedderville area has many productive oil and gas horizons, it will continue to be a focus of Piper's exploration efforts. Whenever possible the Company will endeavour to operate new wells. We hope to increase our land base through farm-ins and crown sales. The coming year will be one in which the Company intends to gain a strategic advantage through property acquisitions which will offer the benefit of additional drilling locations. As we are committed to fiscal responsibility, future acquisitions will be funded with a judicious blend of cash flow from operations, equity financing and bank financing. Through hard work, diligence, and strict cost control, the Company will endeavour to achieve its objectives of increased cash flow and shareholder value in the coming year.

I would like to thank the directors, staff, and shareholders of Piper for their continued support during the year.

Respectfully submitted on behalf of the Board of Directors.

Dr. R.E. (Roy) Smith
President and C.E.O.
May 9, 1995

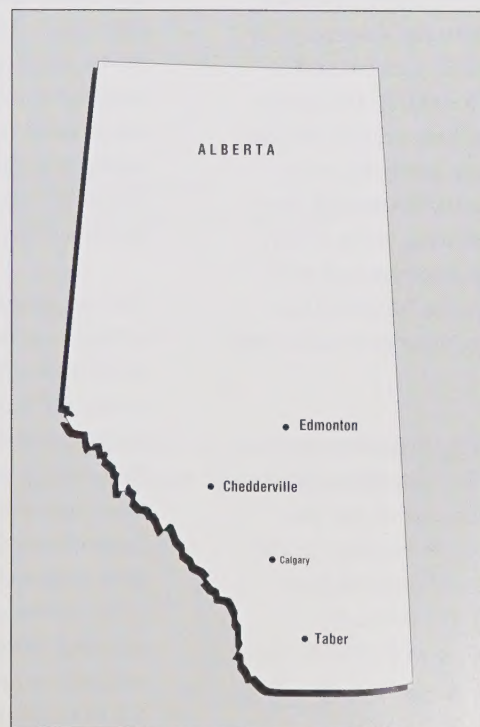


Figure 1



CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1994

AUDITORS' REPORT

To the Shareholders
Piper Petroleum Ltd.

We have audited the consolidated balance sheets of Piper Petroleum Ltd. as at December 31, 1994 and 1993 and the consolidated statements of loss and deficit and cash flow for the year ended December 31, 1994 and for the period from commencement of operations April 1, 1993 to December 31, 1993. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and 1993 and the results of its operations and cash flow for the periods then ended in accordance with generally accepted accounting principles.

Collins Barrow

CHARTERED ACCOUNTANTS

Calgary, Alberta
March 17, 1995

PIPER PETROLEUMS LTD.
(Incorporated under
the laws of Alberta)

CONSOLIDATED BALANCE SHEET

December 31, 1994

	1994	1993
ASSETS		
Current assets		
Cash	\$ 726,858	\$ 597,246
Accounts receivable	272,346	429,853
Inventory	18,633	18,633
Alberta royalty tax credit receivable	35,087	31,322
Prepaid expenses	16,083	16,704
	1,069,007	1,093,758
Deferred public offering costs	-	39,763
Property and equipment (note 4)	1,394,523	2,053,787
	\$ 2,463,530	\$ 3,187,308
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 535,886	\$ 108,025
Due to affiliated company	-	1,753
Income taxes payable	10,153	11,482
Current portion of long-term debt	122,000	328,986
Current portion of notes payable	55,000	-
	723,039	450,246
Long-term debt (note 5)	-	311,388
Notes payable (note 6)	-	55,000
Provision for future site restoration costs	25,170	7,600
Non-controlling interest in subsidiary	117,885	86,163
Deferred income taxes	24,250	-
SHAREHOLDERS' EQUITY		
Share capital (note 7)	3,333,849	2,378,509
Deficit	(1,760,663)	(101,598)
	1,573,186	2,276,911
	\$ 2,463,530	\$ 3,187,308

Approved on behalf of the Board,

R. Smith, Director

A. Blawie, Director



CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

*Year ended
December 31, 1994*

*(With comparatives for the
period from commencement
of operations April 1, 1993 to
December 31, 1993)*

CONSOLIDATED STATEMENT OF CASH FLOW

*Year ended
December 31, 1994*

*(With comparatives for the
period from commencement
of operations April 1, 1993 to
December 31, 1993)*

	1994	1993
Revenue		
Oil and gas revenue, net of royalties	\$ 594,006	\$ 296,576
Processing fees	144,300	104,691
Alberta royalty tax credit	50,341	31,322
Other	24,191	36,063
	812,838	468,652
Expenses		
Operating	214,987	129,947
Processing	15,500	9,097
General and administrative	498,498	177,343
Interest	40,047	27,326
Depletion and depreciation	380,694	141,944
	1,149,726	485,657
Loss before the following	336,888	17,005
Loss on disposal of marketable securities	-	19,000
Loss on disposal of property and equipment (note 4)	235,132	22,500
Writedown of property and equipment (note 4)	1,015,000	-
Loss before income taxes	1,587,020	58,505
Income taxes (note 9)	40,323	8,932
Loss before the following	1,627,343	67,437
Non-controlling interest	31,722	34,161
Net loss	1,659,065	101,598
Deficit, beginning of period	101,598	-
Deficit, end of period	\$ 1,760,663	\$ 101,598
Net loss per share • post - consolidation	\$ 0.105	\$ 0.014
• pre - consolidation	-	\$ 0.007

	1994	1993
Operating activities		
Net loss	\$ (1,659,065)	\$ (101,598)
Add items not affecting cash		
Depletion and depreciation	380,694	141,944
Loss on disposal of marketable securities	-	19,000
Loss on disposal of property and equipment	235,132	22,500
Writedown of property and equipment	1,015,000	-
Income taxes	24,250	-
Non-controlling interest	31,722	34,161
Changes in non-cash working capital	233,343	(268,977)
	261,076	(152,970)
Financing activities		
Advances (repayments) of long-term debt, net	(518,374)	640,374
Advance of notes payable	-	55,000
Assumption of non-controlling interest in subsidiary	-	52,002
Proceeds from issuance of common shares	1,375,285	2,427,389
Share issuance costs	(180,140)	(48,880)
Changes in non-cash working capital	3,989	(1,532)
	680,760	3,124,353
Investing activities		
Acquisition of property and equipment	(1,674,112)	(2,243,631)
Proceeds on disposal of property and equipment	480,315	33,000
Changes in non-cash working capital	381,573	(163,506)
	(812,224)	(2,374,137)
Net cash inflow	129,612	597,246
Cash, beginning of period	597,246	-
Cash, end of period	\$ 726,858	\$ 597,246



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1994

1. Incorporation

The Corporation was incorporated under the laws of the Province of Alberta on February 19, 1993 as 555955 Alberta Limited and subsequently changed its name to Piper Petroleum Ltd. by a Certificate of Amendment dated July 27, 1993. Effective April 1, 1993, the Corporation commenced its operations by acquiring certain oil and gas properties, related tangible assets, inventory and a 50% equity interest in a subsidiary (note 3).

2. Significant accounting policies

The consolidated financial statements of the Corporation are stated in Canadian dollars and have been prepared in accordance with accounting principles generally accepted in Canada which, in the case of the Corporation, conform in all material respects with International Accounting Standards. The significant accounting policies are summarized below:

a) Principles of consolidation

These consolidated financial statements include, in addition to the accounts of the Corporation, the accounts of its 50% owned subsidiary company, McDrake Investments Ltd.

b) Exploration and development costs

The Corporation follows the full cost method of accounting for exploration and development expenditures, wherein all costs related to the exploration for and the development of oil and gas reserves are initially capitalized and accumulated in cost centres (Canada and the United States). Costs capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells and lease and well equipment. Gains or losses are not recognized upon disposition of oil and natural gas properties unless such a disposition would significantly alter the rate of depletion and depreciation.

Depletion and depreciation are provided for using the unit-of-production method based on estimated gross proven oil and gas reserves as determined by independent and Corporation engineers with oil converted to gas on an energy equivalent basis.

Costs subject to depletion under the full cost method also include estimated future site restoration costs, net of expected recoveries. This would include the costs of production equipment removal and environmental cleanup based upon regulations and economic circumstances at year-end. The current year's provision for future site restoration costs is included in depletion and depreciation expense.

In applying the full cost method, the Corporation performs a ceiling test which restricts the capitalized costs less accumulated depletion and depreciation for each cost centre from exceeding an amount equal to the estimated undiscounted value of future net revenues from proven oil and gas reserves, based on current prices and costs, after deducting estimated future general and administrative expenses, financing costs and income taxes ("cost ceiling"). Costs to acquire significant proved reserves are excluded from the ceiling test for a period of 24 months following acquisition, provided any excess of costs over future net revenues is not considered to represent a permanent impairment in the ultimate recoverable amount (note 4).

c) Joint venture accounting

Substantially all of the Corporation's oil and gas exploration and production activities are conducted jointly with others and, accordingly, these financial statements reflect only the Corporation's proportionate interest in such activities.

d) Depreciation

The Corporation provides for depreciation of oil and gas property and equipment as follows:

Processing facility	5% per annum, straight-line basis
Other	20-30% per annum, declining balance basis

e) Inventory

Inventory, comprised of equipment to be used for oil and gas operations, is recorded at the lower of cost, determined on a specific item basis, and net realizable value.

f) Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada). The Act provides that, where the share issuance proceeds are used for exploration, development and land expenditures, the related income tax deductions may be renounced to subscribers. Accordingly, these expenditures provide no income tax deduction to the Corporation.

Oil and gas properties and share capital are reduced by the estimated cost of the renounced tax deductions when the expenditures are incurred.

g) Foreign currency translation

Foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenues and expenses, except depletion and depreciation, are converted at average exchange rates for the period. Depletion and depreciation are converted at the same rate as the



related assets. Gains or losses on translation are expensed except for those relating to long-term monetary items which are deferred and amortized over the remaining terms of the related items.

h) Net loss per share

Net loss per share is calculated on the weighted average number of Class A shares outstanding during the period.

3. Acquisitions

- a) Effective April 1, 1993, the Corporation acquired all of the oil and gas property, equipment and inventory of Drake Environmental Recovery Ltd. (Drake), including Drake's 50% equity interest in a subsidiary.

The purchase price allocation was as follows:

Petroleum and natural gas rights	\$	657,287
Tangible equipment		164,322
Furniture and fixtures		1,000
Shares in a subsidiary		130,000
Inventory		31,448
Assumption of receivable from a subsidiary		132,204
Total purchase price	\$	<u>1,116,261</u>

Consideration for the purchase consisted of:

Cash	511,000
Secured fixed and floating debenture, bearing interest at prime plus 2%, repaid during the period	349,979
Assumption of long-term debt by Piper	255,282
Total consideration	<u>\$ 1,116,261</u>

- b) Effective July 22, 1993, the Corporation acquired certain petroleum and natural gas properties and related tangible assets.

The purchase price allocation was as follows:

Petroleum and natural gas rights	\$	683,449
Tangible equipment		170,000
Miscellaneous interests		1
Total purchase price	\$	<u>853,450</u>

Consideration for the purchase consisted of:

Cash	\$	286,450
Demand credit facility (note 5)		567,000
Total consideration	\$	<u>853,450</u>

4. Property and equipment

	1994		1993	
	Cost	Accumulated Depletion and Depreciation	Net Book Value	Net Book Value
Petroleum and natural gas properties, including exploration and development thereon - Canada	\$ 2,067,345	\$ 1,167,959	\$ 899,386	\$ 1,342,445
- U.S.	18,000	7,408	10,592	12,550
Lease and well equipment				
- Canada	283,283	175,601	107,682	311,724
- U.S.	4,500	1,850	2,650	3,140
Processing facility	401,669	71,300	330,369	354,269
Other	53,204	9,360	43,844	29,659
	<u>\$ 2,828,001</u>	<u>\$ 1,433,478</u>	<u>\$ 1,394,523</u>	<u>\$ 2,053,787</u>

As at December 31, 1993, the "cost ceiling" (based on prices in effect at December 31, 1993 and calculated as described in [note 2(b)] of the oil and gas properties acquired from the various companies was less than the capitalized cost of those assets by approximately \$254,600. This excess of costs over future net revenues was not considered to represent a permanent impairment in the ultimate recoverable amount and as a result, no writedown was recorded. As at December 31, 1994, the "cost ceiling" of the Corporation's oil and gas properties in Canada was \$1,015,000 less than the capitalized cost of those assets. As a result, the Corporation wrote down property and equipment in Canada by \$1,015,000.

During the year, the Corporation disposed of certain oil and gas properties purchased from Drake (note 3[a]). This disposal resulted in a change of more than 20% in the depletion and depreciation rate and, consequently, a loss on sale in the amount of \$235,132 was recognized under the full cost method of accounting.



Future site restoration costs have been estimated at \$146,481 of which \$17,570 (1993 - \$7,600) has been charged to current earnings.

Property and equipment having a net book value of \$406,491 (1993 - \$3,147) has a nil cost for income tax purposes.

During the year, no general and administrative expenses were capitalized (1993 - nil).

5. Long-term debt

	1994	1993
Demand credit facility, repayable in monthly payments of \$12,500, bearing interest at prime plus 1 1/4% per annum	\$ 122,000	\$ 504,000
Demand credit facility, repaid during the period	-	136,374
	122,000	640,374
Less: Portion due within one year	122,000	328,986
	\$ -	\$ 311,388

The credit facilities are secured by a \$1,000,000 fixed and floating charge debenture on specific petroleum and natural gas interests, processing facilities and related interests and all other assets of the Corporation. The credit facilities are also secured by a \$250,000 guarantee from McDrake Investments Ltd. and an additional \$250,000 fixed and floating charge debenture on processing facilities and related interests.

6. Notes payable

The notes payable are due to directors of McDrake Investments Ltd., non-interest bearing and repayable from future processing revenues. It is anticipated that these amounts will be repaid during the next fiscal period, consequently, the amounts have been classified as current liabilities.

7. Share capital

a) Authorized

- Unlimited number of Class A voting common shares
- Unlimited number of Class B voting common shares
- Unlimited number of Class C non-voting common shares
- Unlimited number of Class D non-voting common shares
- Unlimited number of Class E non-voting common shares
- Unlimited number of Class F non-voting common shares
- Unlimited number of Class G non-voting, non-cumulative, redeemable preferred shares

b) Issued

Class A shares	Number	Amount
For cash	3	\$ 3
For cash	9,999,996	600,000
For cash	5,250,000	525,000
For cash	4,963,880	496,386
For marketable securities	2,412,653	95,000
	22,626,532	1,716,389
Two for one share consolidation (note 7[c])	(11,313,265)	-
For cash to directors and officers	750,000	30,000
Pursuant to a flow-through share offering memorandum (note 7[d])	1,702,500	681,000
Balance, December 31, 1993	13,765,767	2,427,389
Pursuant to Agency Agreement (note 7[e])	2,000,000	500,000
Options exercised	680,000	170,000
Warrants exercised	207,500	72,625
Pursuant to subscription agreements (note 7[f])	2,108,864	632,660
Reduction in respect of income tax deductions renounced to subscribers	-	(239,805)
Balance, December 31, 1994	18,762,131	3,562,869
Share issuance costs		(229,020)
		\$ 3,333,849



- c) Pursuant to a special resolution of shareholders on October 28, 1993, the Corporation consolidated its existing issued and outstanding Class A common shares, in accordance with Section 167(1)(f) of the Business Corporations Act (Alberta), on the basis of two existing Class A shares for one Class A share.
- d) During 1993, the Corporation issued 1,702,500 Class A shares at \$0.40 per share for aggregate proceeds of \$681,000 pursuant to a flow-through share offering memorandum. In accordance with the terms of the offering and pursuant to certain provisions of the Income Tax Act (Canada), the Corporation renounced, for income tax purposes, exploration and development expenditures incurred to holders of the Class A shares in the amount of \$677,853 (1993 - \$3,147).
- e) On March 31, 1994, the Corporation entered into an Agency Agreement with Yorkton Securities Inc. whereby the agent sold a maximum of 2,000,000 Units of the Corporation at a price of \$0.25 per Unit for aggregate proceeds of \$500,000 before agent's commission of \$50,000. Each Unit consists of one Class A share and one-half share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional Class A share at an exercise price of \$0.35 per share until expiry October 19, 1994.

The Corporation granted to the agent an option to purchase 300,000 Class A shares at an exercise price of \$0.25 per share expiring April 19, 1995.

During the year, 207,500 Class A shares were issued upon the exercise of 207,500 share purchase warrants at \$0.35 per share for aggregate proceeds of \$72,625. The remaining 792,500 share purchase warrants have expired. During the year, the agent exercised their option to purchase 300,000 Class A shares at \$0.25 per share for aggregate proceeds of \$75,000.

- f) During the year, the Corporation entered into subscription agreements whereby 1,054,432 Units were sold at \$0.60 per Unit. Each Unit consists of 1 Class A share and 1 Class A flow-through share. In accordance with the terms of the agreements and pursuant to certain provisions of the Income Tax Act (Canada), the Corporation renounced, for income tax purposes, exploration and development expenditures incurred to the holders of the Class A shares in the amount of \$11,468. The remaining exploration and development expenditures in connection with this flow-through share issue were expended subsequent to the year end to February 28, 1995 and were renounced to the holders of the Class A shares on February 28, 1995.
- g) The Corporation has granted stock options to directors and employees of the Corporation to purchase Class A shares as follows:

Number	Exercise Price	Expiry Date
785,000	\$ 0.25	February 4, 1999
60,000	0.40	June 30, 1998
80,000	0.35	August 11, 1998

Subsequent to the year end, the Corporation granted stock options to the President of the Corporation to purchase 300,000 Class A shares at \$0.20 per share as follows:

Number	Exercisable	Expiry Date
100,000	from and after February 21, 1995	February 21, 2000
100,000	from and after February 21, 1996	February 21, 2001
100,000	from and after February 21, 1997	February 21, 2002

Subsequent to the year end, stock options to purchase 25,000 Class A shares at \$0.25 per share expired 30 days subsequent to the termination of an employee.

- h) As at December 31, 1994, 1,113,390 Class A shares remain in escrow to be released as follows:

Number	Date
167,009	upon satisfactory completion of the distribution of Class A shares pursuant to the Exchange Offering Prospectus dated March 31, 1994 (note 7(e)),
278,348	upon satisfactory completion of the work program described in the Prospectus under the heading "Use of Proceeds",
167,009	automatically on each of March 31, 1995, 1996 and 1997,
167,006	March 31, 1998.

8. Commitment

In January, 1994, the Corporation entered into a lease agreement for office space commencing February 1, 1994 for a five-year period with annual payments of \$41,426.

9. Income taxes

- a) Income tax expense differs from that which would be expected from applying the effective Canadian federal and provincial income tax rates of 44.34% (1993 - 44.34%) to loss before income taxes. The difference results from the following:



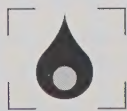
	1994	1993
Expected income tax provision	\$ (703,685)	\$ (25,941)
Increase (decrease) in income taxes resulting from:		
Depletion on non-tax based assets	22,202	-
Non-deductible crown payments, net of Alberta royalty tax credit	13,862	11,695
Resource allowance	(599)	(6,194)
Deferred tax benefit not recognized	733,670	40,389
Reduction due to eligibility of small business deduction	(27,493)	(12,354)
Other	2,366	1,337
Current and deferred income taxes	<u>\$ 40,323</u>	<u>\$ 8,932</u>

b) Tax deductions

As at December 31, 1994, the following deductions are available for income tax purposes in Canada:

	Amount	Maximum Annual Rate of Claim
Canadian oil and gas property expense	\$ 936,712	10%
Canadian development expense	36,985	30%
Canadian exploration expense	935,127	100%
Foreign exploration and development expense	36,000	10%
Undepreciated capital costs - resource	295,826	25%
Undepreciated capital costs - other	164,716	20%

The consolidated financial statements do not reflect potential tax reductions available through the application of losses carried forward against future earnings otherwise subject to income taxes. These losses amount to \$94,449 expiring in 2001.



PIPER PETROLEUMS LTD.

770, 202 - 6th Avenue S.W., Calgary, Alberta T2P 2R9